United Nations A/67/639

General Assembly

Distr.: General
14 December 2012

Original: English

Sixty-seventh session
Agenda item 130
Programme budget for the biennium 2012-2013

First performance report on the programme budget for the biennium 2012-2013

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the first performance report of the Secretary-General on the programme budget for the biennium 2012-2013 (A/67/592). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. The first performance report on the programme budget for the biennium 2012-2013 reflects adjustments required because of variations in the rates of inflation and exchange and in the standard costs and vacancy rates since the calculation of the initial appropriations. The report also takes into account additional mandates approved by the General Assembly and the Security Council since the appropriation of the programme budget, as well as unforeseen and extraordinary items that could not be deferred to the second year of the biennium.

3. The revised requirements under the expenditure sections amount to $5,415.6 million, an increase of $263.3 million, or 5.1 per cent, over the appropriation of $5,152.3 million approved by the General Assembly in its resolutions 66/248 A and 66/246. Table 2.A of the report of the Secretary-General provides details on the factors that resulted in the increase under the expenditure sections. The revised income estimates for the biennium amount to $529.4 million, an increase of $21.6 million, or 4.3 per cent, over the initial estimate of $507.8 million (see also para. 14 below). Consequently, revised net requirements amount to $4,886.2 million, an increase of $241.7 million, or 5.2 per cent, above the appropriated net requirements of $4,644.6 million (A/67/592, table 1).

4. The Advisory Committee notes from paragraph 8 of the report that revised estimates and statements of programme budget implications in response to several draft resolutions under consideration by the Main Committees of the General Assembly at the time of finalization of the first performance report amounted to approximately $7.1 million. This amount has not been included in the report of the

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Secretary-General. Upon enquiry, the Committee was informed that additional revised estimates and statements of programme budget implications brought the total potential charges to $20.7 million, prior to any subsequent adjustments recommended by the Advisory Committee or the Fifth Committee (see annex I). This amount would be charged to the contingency fund (see paras. 17 and 18 below).

Unforeseen and extraordinary expenses

5. The report of the Secretary-General details unforeseen and extraordinary expenses for the biennium 2012-2013 totalling $5.1 million incurred under the terms of General Assembly resolution 66/249. This figure includes $2.1 million in commitments approved by the Advisory Committee relating to the Independent International Commission of Inquiry on the Syrian Republic; commitments certified by the Secretary-General as relating to the maintenance of peace and security amounting to $2.6 million for the Panel of Experts on Accountability in Sri Lanka, the Special Adviser to the Secretary-General on Yemen and the senior coordinator for the Syrian pre-assessment and planning process; and commitments certified by the President of the International Court of Justice as relating to unforeseen expenses of $0.5 million in respect of the Court.

Variations in budgetary assumptions for the biennium 2012-2013

6. In his report, the Secretary-General recalls the decision of the General Assembly, in paragraph 27 of its resolution 66/246, to defer consideration of post-related recosting for inflation and exchange rate projections to the first performance report on the budget in order to ensure appropriation of post-related costs in line with actual expenditure experience. Therefore, the post-related resources for inflation and exchange rates in the initial appropriation for the biennium 2012-2013 are at the same level as those in the revised appropriation for the biennium 2010-2011. The variations in budgetary assumptions outlined in section II.C of the report are thus calculated on the basis of the post-related actual experience during 2012 and updated projections for 2013 as compared with those approved in the revised appropriation for the biennium 2010-2011 (see paras. 9 and 13 below). The Advisory Committee notes that the decision to defer consideration of post-related recosting until the time of the first performance report reflects a departure from established practice. The General Assembly did not approve any changes to the budget methodology, to established budgetary procedures and practices or to the financial regulations (see resolution 66/246, para. 9).

7. Concerning changes in exchange rates, the Secretary-General indicates in paragraphs 20 to 28 of his report that an increase in the amount of $53 million is foreseen, reflecting a general weakening of the United States dollar against the Swiss franc, Chilean peso and Thai baht, offset in part by an appreciation of the United States dollar against the euro, Ethiopian birr and Kenyan shilling, compared with the rates used in the revised appropriation for the biennium 2010-2011 for posts and with those foreseen in the initial appropriation for the biennium 2012-2013 for non-post requirements.

8. With regard to inflation, a total increase in the amount of $143.8 million is foreseen, the details of which are contained in paragraphs 29 to 36 of the report. The revised inflation rates are based on actual and projected post adjustment multipliers that have been promulgated by the International Civil Service Commission (ICSC)

for the Professional and higher categories, actual versus budgeted cost-of-living adjustments based on prevailing market conditions for the General Service and related categories and the latest available information on consumer price indices derived from *The Economist*, including for non-post objects of expenditure. In this connection, the Advisory Committee notes that, in accordance with the decision of ICSC (A/67/30, para. 121), the promulgation of the revised post adjustment multiplier, due in August 2012, was deferred. ICSC decided that the multiplier would be promulgated on 1 January 2013, with retroactive effect as of 1 August 2012, unless the General Assembly acted otherwise. The Committee recalls that it was provided with related background information and explanations in this regard in the context of its consideration of the administrative and financial implications of the decisions and recommendations contained in the report of ICSC for 2012 (see A/67/573, paras. 7-11).

9. The Advisory Committee recalls its observations in its report on the second performance report of the Secretary-General on the programme budget for the biennium 2010-2011 concerning options proposed for protecting the United Nations against fluctuations in exchange rates and inflation (see A/66/611, paras. 26-33). At that time, the Committee recommended that the Secretary-General be requested to explore more thoroughly options for addressing different aspects of the recosting methodology, with an analysis of the risks and resource requirements of each option (ibid., para. 33). During the deliberations on the first performance report for the biennium 2012-2013, representatives of the Secretary-General referred to the possibility of embarking on a hedging programme based on a currency forward mechanism as a means to protect the Organization from variances owing to movements in exchange rates and inflation. **The General Assembly may wish to request the Secretary-General to provide a more detailed exploration of different options in order to protect the Organization against fluctuations in exchange rates and inflation.**

10. In this connection, upon request, the Advisory Committee was provided with the regular budget cash position for the period from December 2010 through December 2012 (see annex II). The Committee notes that average monthly cash disbursements for the United Nations currently amount to $230 million and that the monthly cash holdings in 2012 were all considerably lower than those in 2011. Representatives of the Secretary-General confirmed, upon enquiry, that in October 2012, the Organization was required to draw funds from the Working Capital Fund to continue operations. The General Fund was fully depleted and $84 million of the Working Capital Fund was used to keep operations running as a result. The Committee was also informed that the decision to defer consideration of post-related recosting was one of several reasons for the low cash position.

11. As indicated in paragraphs 37 to 39 of the report, adjustments to standard costs reflecting the net effect of changes in standard salary costs, common staff costs and staff assessment rates amount to an increase of $26.5 million. This includes revisions to standard salary costs for 2012, which are based on the actual average payroll experience at each duty station. A net increase of $18 million reflects average net base salary costs that are higher than had been projected in the initial appropriation. Also included are adjustments to common staff costs, which are based on actual experience in 2010-2011 and during the period from January to September 2012, compared with the amounts foreseen in the initial appropriation. A net increase of $8.5 million reflects adjustments to the common staff costs. The Committee was informed, upon enquiry, that the net increase in common staff cost estimates mainly

reflected adjustments in New York relating to education grants and contributions to medical insurance plans.

12. As indicated in paragraphs 40 and 41 of the report, the effective budgeted vacancy rates for the biennium 2012-2013 are 10.2 per cent for the Professional posts and 5 per cent for the General Service posts (including the effect of rates applied to new posts). The Secretary-General indicates that the actual vacancy rates were 8.3 per cent for Professional posts and 5.6 per cent for General Service posts. The adjustments to the 2012-2013 vacancy rates would therefore result in an increase of $31.9 million. In addition, similar adjustments to the 2012-2013 vacancy rates for field security staff would result in an increase of $11.4 million, to be cost-shared with other United Nations system organizations, leading to an increase for the United Nations of $2.9 million. **The Advisory Committee commends the efforts undertaken by the Secretary-General in filling posts and reducing vacancy rates in the Professional category.**

Revised estimates for 2012-2013

13. As previously indicated, the Secretary-General's report sets out revised estimates under the expenditure sections amounting to $5,415.6 million for the biennium 2012-2013 (A/67/592, table 2.A). In line with paragraph 27 of General Assembly resolution 66/246, the report also provides revised estimates based on post-related actual expenditure experience amounting to $5,273.1 million, which is $120.8 million higher than the initial appropriation for the biennium approved in General Assembly resolution 66/248 (ibid., tables 2.C and 2.D). This figure excludes $142.6 million for deferred post-related recosting and the United Nations portion of recosting for those posts funded under jointly financed activities and inter-organizational security measures (ibid., paras. 44 and 45).

14. In paragraphs 48 to 53 of his report, the Secretary-General outlines the revised income estimates for the biennium amounting to $529.4 million, an increase of $21.6 million, or 4.3 per cent, comprising: (a) an increase of $39.7 million under income section 1, Income from staff assessment; (b) a decrease of $15.7 million under income section 2, General income, reflecting a decrease in interest income offset by increases in the refund of previous years' expenditures and miscellaneous income; and (c) a decrease of $2.3 million under income section 3, Services to the public, attributable to lower sales of philatelic items in Vienna, delays in the release of the United Nations e-book collection and reduced catering revenue as a result of the delay in the reopening of the Delegates Dining Room at Headquarters.

15. The Advisory Committee notes that, in his report, the Secretary-General, requests the General Assembly to decide on the revised estimates as reflected in paragraphs 46 and 53 of his report. The Committee notes that the Secretary-General's request reflects the specific requirements of paragraph 27 of resolution 66/246. Further, the Committee notes the Secretary-General's intention, in line with paragraphs 8 and 9 of that resolution, to use $5,415.6 million as the base for the proposed programme budget expenditure level for the biennium 2014-2015 (ibid., para. 47).

16. **The Advisory Committee notes that, in accordance with established practice, the revised estimates for the biennium 2012-2013 would be set at the level of $5,415.6 million. The Committee also notes that the revised estimates based only on the post-related actual expenditure experience for 2012 amount**

to $5,273.1 million. In view of the provisions of paragraph 27 of General Assembly resolution 66/246, which was a departure from established practice, it is for the Assembly to determine the appropriate level of the revised estimates for the biennium 2012-2013. Any decision should be subject to such adjustments as may be necessary as a result of the Assembly's consideration of matters now before it, including the consolidated statement of revised estimates and programme budget implications.

Contingency fund

17. In its recent report on the proposed programme budget outline for 2014-2015, the Advisory Committee recalled that the contingency fund was intended to accommodate additional expenditures relating to the biennium derived from legislative mandates not provided for in the proposed programme budget or from revised estimates (A/67/625, para. 15). In that report, the Committee also recommended that the level of the contingency fund for the biennium 2014-2015 be maintained at 0.75 per cent of the overall level of resources and emphasized the need to adhere strictly to the provisions of General Assembly resolutions 41/213 and 42/211 on the use of the fund.

18. In this connection, in the context of its consideration of the first performance report for the biennium 2012-2013, the Advisory Committee was informed, upon enquiry, that the proposals put forward by the Secretary-General as potential charges to the contingency fund as at 3 December 2012 amounted to $20.7 million. Prior to any subsequent adjustments recommended by the Advisory Committee or the Fifth Committee, these charges would exceed the existing balance of the fund by more than $6 million (see annex I for details on the status of potential charges).

19. The Advisory Committee recalls the provisions of paragraph 11 of annex I to resolution 41/213, in which it is indicated that the revised estimates arising from the impact of extraordinary expenses, including those relating to the maintenance of peace and security, as well as fluctuations in rates of exchange and inflation, shall not be covered by the contingency fund and shall continue to be treated in accordance with established procedures under the relevant provisions of the Financial Regulations and Rules. It is further stipulated that the Secretary-General should make efforts to absorb those expenditures, to the extent possible, through savings from the programme budget, without causing in any way a negative effect on programme delivery and without prejudice to the utilization of the contingency fund. The Committee also recalls paragraph 6 of the annex to General Assembly resolution 42/211, in which it is specified, inter alia, that the Secretary-General would, in his consolidated statement, make proposals for revising the consolidated amount so that proposed charges to the fund would not exceed the available balance.

20. **The Advisory Committee regrets that there are no details contained in the first performance report for the biennium 2012-2013 on efforts to offset extraordinary expenses through the pursuit of savings in accordance with the provisions of resolution 41/213. In addition, the Committee notes with concern that the performance report does not contain any reference to exceeding the balance of the contingency fund or any proposals on how to maintain a positive balance in the fund for the remainder of the biennium 2012-2013, as required under resolution 42/211. The Committee trusts that the Secretary-General will include such details in his upcoming consolidated statement on the utilization of the contingency fund as well as in his proposals for the programme budget for the biennium 2014-2015.**

Annex I

Potential charges to the contingency fund as at 3 December 2012

(Thousands of United States dollars)

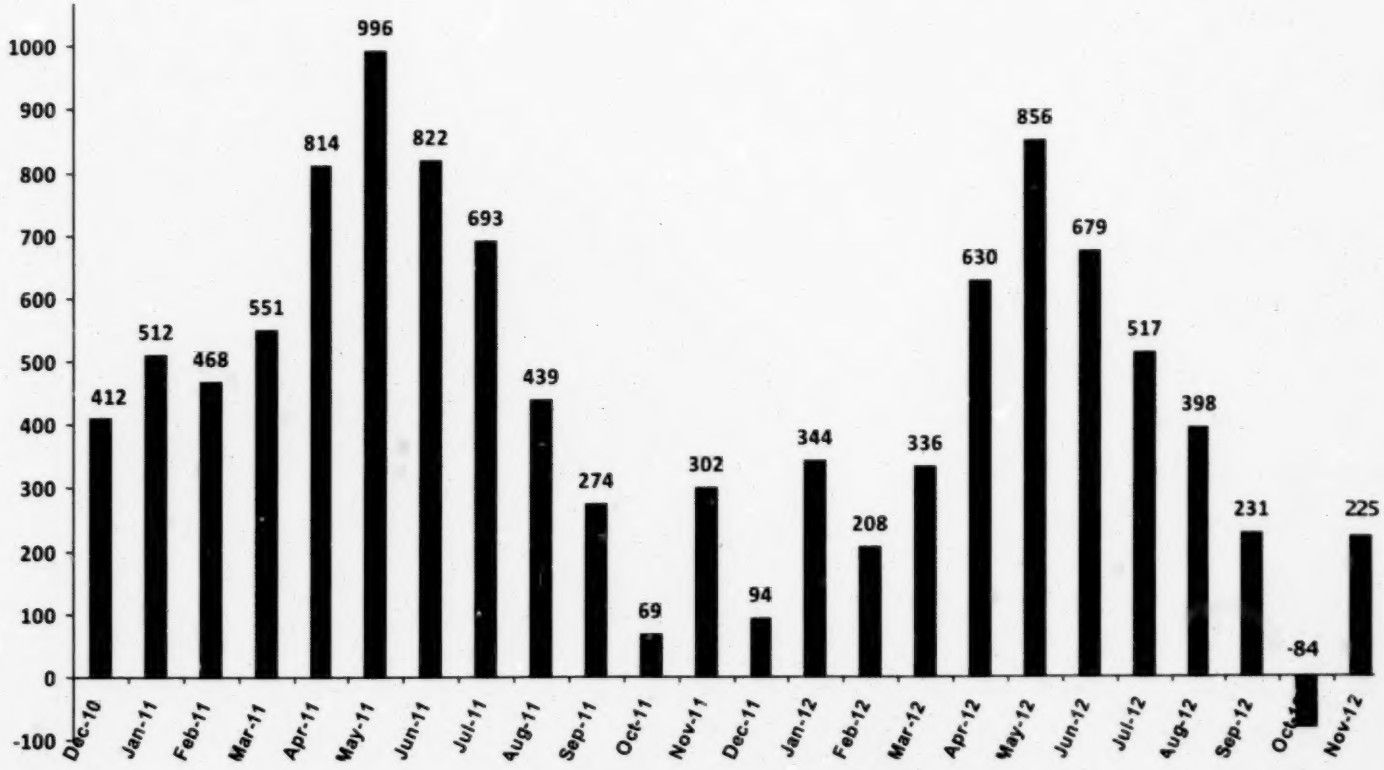
	Proposal of the Secretary-General[a]	*Recommendation of the Advisory Committee on Administrative and Budgetary Questions*[a]	*Recommendation of the Fifth Committee*	*Total*[a]
Potential charges to the contingency fund based on reports issued for review by the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee at the sixty-seventh session				
Report of the Secretary-General on the administration of justice at the United Nations	1 688.3	–	To be determined	1 688.3
Revised estimates resulting from resolutions and decisions adopted by the Economic and Social Council at its organizational sessions and the substantive session of 2012	986.3	(986.3)	To be determined	–
Statement of programme budget implications: Committee against Torture	1 444.6	To be determined	To be determined	1 444.6
Revised estimates resulting from the decisions contained in the outcome document of the United Nations Conference on Sustainable Development	8 583.3	To be determined	To be determined	8 583.3
Statement of programme budget implications: the arms trade treaty	563.8	To be determined	To be determined	563.8
Revised estimates resulting from resolutions and decisions adopted by the Human Rights Council at its 19th, 20th and 21st sessions	7 461.8	To be determined	To be determined	7 461.8
Subtotal	**20 728.1**	**(986.3)**	**To be determined**	**19 741.8**
Level of the fund, approved pursuant to General Assembly resolution 65/262				**40 475.2**
Charges approved in General Assembly resolution 66/247				26 712.7
Remaining balance as approved in resolution 66/247				**13 762.5**
Balance after taking into account potential charges				**(5 979.3)**

[a] Net of staff assessment.

Annex II

Regular budget cash position from December 2010 to November 2012

(Millions of United States dollars)



Note: Does not include balances in the Working Capital Fund ($150 million) and the Special Account ($258 million). Average monthly disbursements are approximately $230 million.